

03. Ethics and performance: Understanding the psychological contract of the taxation from the view of the employee tax

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Ethics and performance: Understanding the psychological contract of the taxation from the view of the employee tax

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ARTICLE INFO

Article history

Received 13 October 2015

Revised 18 November 2015

Accepted 9 December 2015

JEL Classification:

R28

Key words:

Tax Reform,
Ethics,
Performance, and
Tax Officials.

DOI:

10.14414/jebur.v18i3.304

ABSTRACT

There is a phenomenon related to the dysfunctional behavior of noncompliant tax officials and the reluctance of taxpayers to pay the tax. This study aims to explore the evidence of psychological tax contract in a tax official perspective. It proposes understanding the effect of Indonesian tax reform process for determining the ethics as the important variable that affects the tax officials' performance. It also examines the effect of organizational commitment, culture, and tax reform on tax ethics. There were 128 tax officials working in three cities of East Java that were selected as the respondents. The questionnaires were distributed directly to the respondents. Partial Least Square was used to test the hypotheses. It was found that organizational commitment, organizational culture, and tax reform have a direct contribution to tax official ethics. However, understanding the ethics of taxation was not proved to be the moderating variable for the relationship between the organizational commitment and organizational change and the policies of rotation system explain why ethics failed as moderating variable.

ABSTRAK

Kasus mafia pajak terkait perilaku disfungsi pajak dimana pegawai pajak dan kereggan wajib pajak untuk membayar pajak menjadi permasalahan yang dihadapi. Sejalan penelitian terdiri dari pegawai pajak di Jember, Tumpang, Surobaya, Sidoarjo, Bangkalan, Mojokerto dan Kediri. Sampel yang dipilih adalah analisis sederhana 128 responden dengan menggunakan Partial Least Square (PLS). Ditentukan bahwa komitmen organisasi, budaya organisasi dan reformasi perpajakan memiliki kontribusi langsung terhadap pemahaman etika para pegawai pajak. Namun pemahaman etika perpajakan tidak terbukti sebagai pemoderasi dalam hubungan komitmen organisasi, budaya organisasi dan reformasi perpajakan terhadap kinerja pegawai pajak. Resistensi dari beberapa level manajerial diungkapkan sebagai salah satu faktor yang menjelaskan tidak terbuktinya hipotesis tersebut. Sistem mutasi karyawan yang kurang fair juga dianggap sebagai penyebab ketidakpercayaan yang mempengaruhi etika pajak tidak mampu menjadi moderating variable.

1. INTRODUCTION

It has been common that behavioral research in the area of taxation involves two parties such as the tax payer and the tax official. The physiological tax control theory (Feld and Frey 2007, Krishnan et al. 2012) explains that the success of the tax revenue is determined by both the behavior of the taxpayers and the tax officials. Research on the taxpayer usually associated with adherence (Hutagaol et al. 2007).

The crime theory can explain that tax compliance can be improved through the provision of

severe sanctions (Feld and Frey 2007), yet, when tax pay avoidance remains the case, despite the various regulations that have been made. That is why, the tax psychological contract theory is capable of explaining of the psychological tax theory. For example, an organization of the tax officials is indicated by their excellent service so as to raise awareness and tax compliance (Arwati and Harifah 2010a, Cahyani 2007). When compared to other countries, the taxpayer compliance in Indonesia is still low (see Figure 1). In this case,

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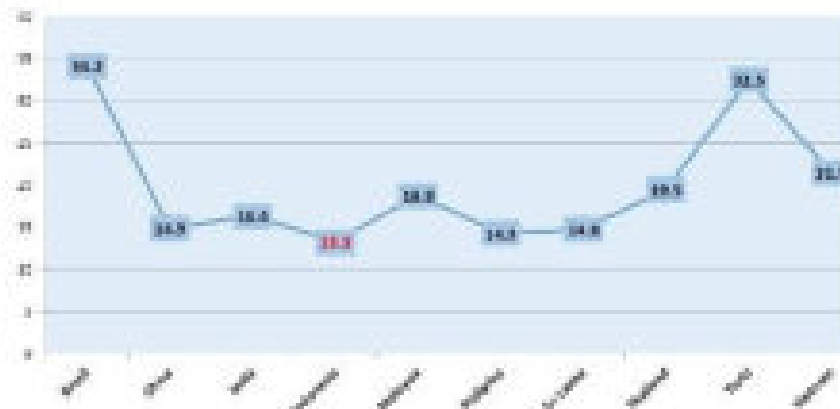


Figure 1
Tax Ratio in the Developing Countries

Source: Justin Prastowo, 2014.

the country with the tax ratio of 13.7% is considered a smallest level of tax compliance in South-east Asia (Prastowo 2014).

There have been various attempts done to improve the performance of taxation. It can be noted that the tax reform in Indonesia was first launched in 1983, beginning the use of the system of self assessment (Rasazier 2011). The second tax reforms carried out in 2002 focusing on tax modernization, tax administration improvement, and toward an excellent service to the users by means of Internet technology in tax reporting.

In terms of internal improvement, it was also done that is a new organizational culture that emphasizes values, integrity, and professionalism. This is still continuously built up. Such activities also include an award in the form of remuneration improvement in which it is already good enough, even better than other public servants (Sari and Verusita 2013). However, the incidence of late emergence of cases of tax evasion by Geyas Tambunan (Mugbur 2013, Sofia et al 2013) seemed to remove the hard work of the DGT in making changes.

Taxpayers will be reluctant to perform its obligations in paying taxes (Dian 2011 and Ayu 2012). That is the tax mafia case, involving collusion between taxpayers and unscrupulous tax officials in which they committed a violation of morality associated with ethics violations taxation (Kasimoningtyas 2011). This leads to a moral degradation that has become part of the daily activity in the business world (Agustina 2010, Alm and Torgler 2012). They are such as tax sabotage, manipulation, falsification of accounts and rampant fraud. Truth has become scarce and the integrity of the disappeared (Swamy

2012).

Research on taxation ethics has been more focused on the taxpayer (Izza and Hamzah 2009). Ethics is associated with negative side even ethical compliance in the form of tax evasion that is also associated with an individual integrity orientation (Izza and Hamzah 2009). The tax payers' ethics is then connected also with the justice system of taxation. It appears less research examining the ethics of taxation on the part of tax officials, although, as mentioned earlier the cases of violation of ethics even in the forms of embezzlement or fraud by tax officials greater. Similar studies that examine the tax officials in the aspects of behavior, professionalism, and performance conducted by (Filiana, Boediono 2014) but they were different only from the aspect of their work units.

Another study by Filiana, Boediono (2014) used a sample of private tax inspectors or consultants who are the members in IKPI (Indonesian Tax Consultant Association), while in this study the sample were civil servants at the Tax Directorate in KPP. The research is related to both sides of psychological contract of the taxpayers and tax officials. This concluded that only by law enforcement against tax authorities that are a consistent consciousness and taxpayer compliance with the attitude of the tax authorities who behave dysfunctional (Puspitasari 2015). In addition, this study aims to examine the effect on the ethical understanding of the tax officials on their performance by elaborating organizational commitment, culture, and tax reforms. It is intended to see whether they affect the tax officials' ethical understanding.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

It is a fact that commitment is an important factor that affects a person's performance in the first company in organizational change, which needs to be shared, both by the leaders and members of the organization (Handoyo 2010). KPP commitment of their tax inspectors in the West Java Regional Tax Directorate is considered to have affected the performance (Arwati and Hartifah 2010b). In addition, to creating good governance requires a strong commitment by all members of the organization (Dwijanto 2005).

The implementation of good governance by the members of the organization is good for making any change, especially changing the people to have positive personal character. Good personal commitment reflects the strong personal motivation to behave properly, prioritizing the values of morality and integrity (Sudrajat 2011). The high commitment to the organization will spur individuals to work as well as possible while maintaining the values and ethics of a significant relationship between professional ethics and commitment (Ebrahimi and Ahmadi 2012). Therefore, the first hypothesis can be put forward as follows:

H1. Organizational commitment directly affects the ethical understanding of taxation.

Organizational culture is the beliefs and values within the organization as being conceived, inspired, and practiced by the members of the organization so that the pattern can provide significance for the organization concerned and for the basis of the rules of behavior (Sobirin 2007). (Gogheri et al. 2013) found only with strong cultural an organization can successfully achieve better performance. This is due to the condition that the members of the organization have knowledge and understand the organizational value. There is a relationship between organizational culture and ethics (Vinell et al. 1993). As reinforced by (Prawirodirdjo 2007) who found the existence of a relationship between organizational culture and ethical values of the employees in the office of the regional office in Jakarta. Research (Falah 2008) also shown a relationship between organizational culture and ethics of tax officials, therefore the second hypothesis can be put forward as follows:

H2. Organizational culture directly affects understanding of taxation ethics.

It is noted that the reform of the Tax Office indicates the organizational changes in the areas of organizational structure, information technology, and human resource management (Prawirodirdjo

2007). This study also discussed the change of values that emphasizes integrity and morality. The tax reform cannot succeed without the ethical compliance (Abdott 1993). Therefore, the tax reform is not enough just to reform the employees' salaries as so far large-scale corruption still has persisted (Sudibyo 2012). Mental reform drastically helpless shock is also required so that the employees mental is really changed. These mental changes will have an impact on individual adherence of moral values and ethics (Sudibyo 2012). Better ethics expected to materialize from internal reforms in the tax office (Hutagaol et al. 2007). Thus the third hypothesis is proposed as the following:

H3. Tax reform directly affects understanding of taxation ethics.

There is a relationship between corporate social performance and ethics (Weaver et al. 1999). There is also the influence of ethical understanding and performance (Wu 2002). So far, the role of ethics as a moderating variable has been done by some researchers. (Akmal 2010) using ethics as a moderating variable found that it has relationship with the competence, independence, and time budget pressure on audit quality. Ethics, in this case, is the work ethic.

Learn Andes (2007) proved an instrumental variable that is a moderating effect on the relationship between work motivation and employee performance (Isyaurini 2005). On the other hand, the organization is a system in which individuals interact with the various interests of each and these need to build a culture of good organization. Strong organizational culture can drive organizational performance to the maximum performance (Gogheri et al. 2013).

Various studies have previously shown that members of the organization's commitment to build a strong organizational culture and this are very important to improve the performance in terms of productivity and good performance. (Martin 1998) adds that only with strong organizational culture will be able to encourage the achievement of the organization. The description of the three previous hypotheses has relationship with the influence of organizational commitment, organizational culture and tax reform to ethics, ethics and the influence on the performance. Thus, the fourth hypothesis aims to prove the role of ethics as a moderating variable and stated as follows:

H4. Understanding of taxation ethics moderates directly the variables of organizational commitment, organizational culture, and the tax reform on the performance of tax officials.

Table 1
Distribution of Questionnaires and Response Rate

City	Number of Questionnaires Distributed	Number of Questionnaires Returned	Questionnaires Analyzed
Surabaya	50	27	23
Sidoarjo	50	47	45
Mojokerto	35	26	26
Kediri	30	23	23
Bangkalan	57	Not returned	0
Total	202		118

Source: Primary data processed.

3. RESEARCH METHOD

This research is explanatory research with its population of the tax officials in East Java. The population was taken by means of purposive sampling in the regions with high economic turnover and the researchers chose the cities of Surabaya, Sidoarjo, Bangkalan, Mojokerto, and Kediri. Questionnaires were distributed as many as 202 pieces, but 128 were returned. The data were obtained directly from the tax office employees who work throughout STO parts associated with the direct taxpayer services, ranging from account representative or functional examiner.

- There are five variables used in this study: three dependent variables of organizational commitment, culture, and tax reform. The rest is a moderating variable that understands of taxation ethics and the independent variable is the performance of taxation. Measurement variables using Likert five scale. Each variable is defined as follows:
 - Organizational commitment is defined as a desire to which employees are confident and they accept the organization's goals and willing to stay with the organization as well as they recognize and feel tied to the organization. This study adopts and develops the questionnaire by Meyer and Smith (2008) measuring the dimensions of organizational commitment and affective commitment, continuance commitment dimensions and dimension of normative commitment.
 - Organizational culture is defined as system believed to be the values developed by the organization that guide the members' behavior. Organizational culture is measured by the dimensions of professionalism, distance from management, trust of co-workers, regularity, hostility and integrity, the adoption of several dimensions of the Hofstede adjusted to the conditions of taxation in Indonesia.
 - Ethics is a discussion concerning the factors based on the rules of behavior that is 'right -

wrong', 'good-bad', or 'proper -improper'. Understanding of taxation ethics is the taxation description of how ethics is understood and applied.

- Tax reform is represented by a variable tax policy, human resources, organizational structure, information system and tax administration, system monitoring and system of remuneration of employees.
- Performance of tax officials is something that is achieved by employees and that is the work performance that is noticed by employees, closely related to the work of someone in an organization, the result of the work concerning quality, quantity, and timeliness.

The study used Partial Least Square (PLS) for analysis and this method was chosen because the model is comprehensive and aims to explain the tax variable, in moderating the understanding of ethical commitment, culture and tax reform on the performance of tax officials.

4. DATA ANALYSIS AND DISCUSSION

Prior to the discussion on the results along with the findings of the statistical test, firstly the study presented the information about the deployment conducted in five cities in East Java with high economic turnover. This considers the homogeneity of Surabaya represented the STO although in this city as a whole is 1 KPP Madya and 12 STO.

The distribution of the questionnaire was conducted with the direct tax office. The questionnaires were distributed according to the tax officials in the LTO. The questionnaires were distributed in the town of Bangkalan but not successfully recovered due to bureaucratic difficulties. Thus, they were decided not to be included in the analysis such as due to the given limitations of time (see Table 1).

Variable Description

The five variables are described with the elaboration required for getting the more in-depth perception about the respondents towards each variable.

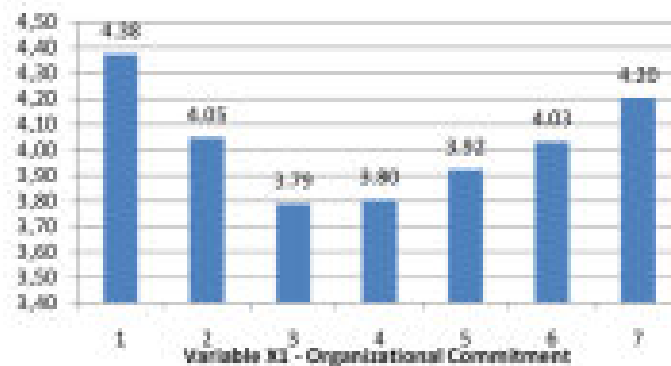


Figure 1
Distribution of Responses for Organizational Commitment

Source: Primary processed data.



Figure 2
Distribution of Responses for Organizational Culture

Source: Primary processed data.

Organizational Commitment

Commitment is defined as an engagement. Commitment to the organization is in a condition there is a sense of attachment to the organization. This research uses 7 questions, to obtain a commitment to organizational goals, pride, loyalty, a common principle for life, there are opportunities, comparison of other entities and concern for the future of the organization.

The results showed the commitment of respondents is good enough, especially from its linkage to the objectives of the organization in which it has the highest average value of 4.38 (see Figure 2). This indicates there is a high desire to realize the goals, vision and mission of the Tax Directorate. This is followed by the second high response of

4.25, indicating a concern about pride of their friends (4.05) and the belief that the office where they work is better than others (4.05). The average value of the opinion that they also apply their principle of life in the organization and it's also stands at relatively the same.

Organizational Culture

Organizational culture is a common perception held by members of the organization. In this case, organizational culture was measured by adopting questionnaire of Hofstede in the dimensions of professionalism, distance from management, regularity, and integrity.

The dimensional of regularity is reflected in the level of discipline in filling up the attendance list of

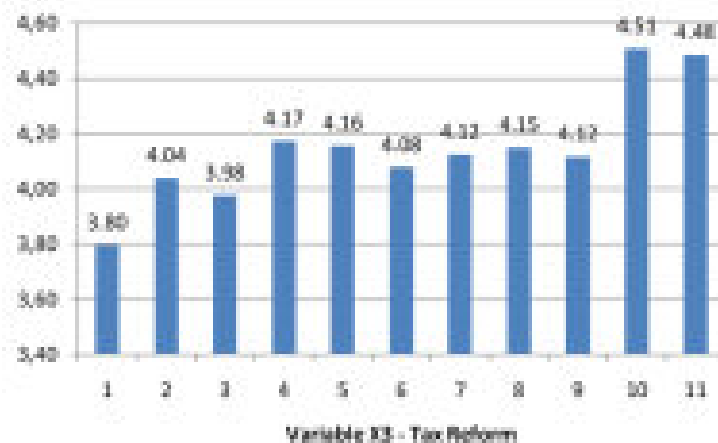


Figure 3
Distribution of Responses for Tax Reform

Source: Primary processed data.

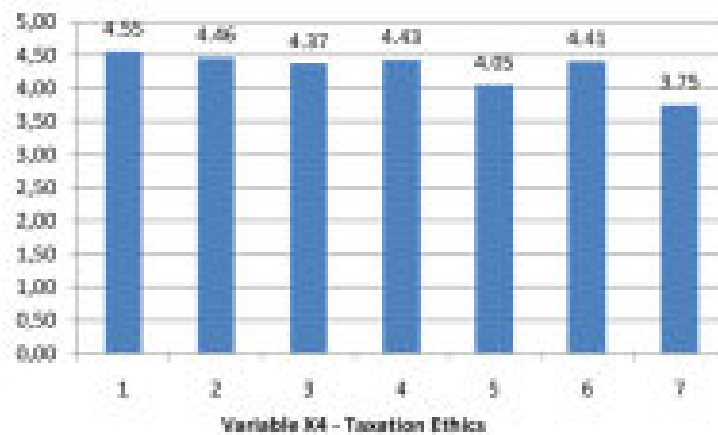


Figure 4
Distribution of Responses for Taxation Ethics

Source: Primary processed data.

work to occupy the highest value (Indicator 8) internalization strategy, among others, through cartoons, banners, brochures and other media. The overall average of organizational culture is in the range 3.87- 4.53. This means that the organizational culture at the tax office is strong enough (see Figure 3).

The respondents believed the tax office to produce something useful for society. However, the respondents have a lower perception to state that the organization has noticed the public and the environment. On the other hand, the respondents also expressed their agreement with the organization's role in providing guidance for the implemen-

tation of the value that needs to be embraced by employees.

The employee adherence to guidelines made in the organization was quite high, demonstrated through discipline on the use of work clothes, asking for permission to leave the office and presence when it comes and home office. The overall of the tax office has managed to create an organizational culture that is strong enough and carried out by its employees.

Tax Reform

Tax reform is a fundamental change in all aspects

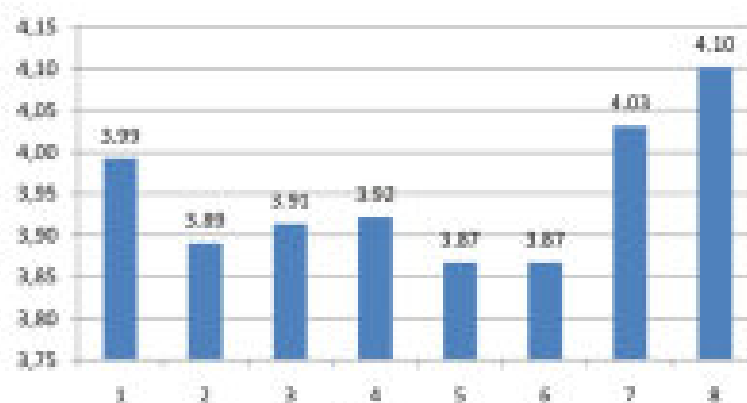


Figure 5
Distribution of Responses for the Taxation Employee Performance

38

Source: Primary processed data.

Table 2
Results of Validity Test

Variables	Average Variance Extracted (AVE)	√(AVE)	Description
Organizational Commitment	0.4454	0.6673	Valid
Organizational Culture	0.5590	0.7314	Valid
Tax Reform	0.6058	0.7783	Valid
Tax Performance	0.6134	0.7832	Valid
Tax Performance	0.5147	0.7174	Valid

Source: Primary processed data.

of taxation. This study used indicators of taxation reform as reflected in the information services, human resources, organizational structure, and information systems of taxation.

This study measured the budget reform from the aspects of services, human resources, and the use of information technology. Furthermore, the success of tax reforms also appears from changes in services using information technology facilities. Starting from early socialization, implementation of e-SPT, e-filing, reporting and online payment all run well and they provide benefits for speed, accuracy time in giving the service to the taxpayers. Tax reform through modernization of tax administration is expected to affect the taxpayer's full awareness and self-report and payment for the taxes thereby increasing tax compliance and managed to suppress the struggling of tax (tax evasion) (see Figure 4).

Understanding of Ethics

Understanding of ethics is related to the taxation of ethical orientation by the tax officials when faced

with a variety of related challenges in their daily duties. It is known that in the field they tend to be in a very big temptation when faced taxpayer or tax consultant who wishes to engage in negotiations on the tax amount reported or paid. This variable is measured by developing ethics in accounting research (Henderson and Kaplan 2005). The researchers adopted a tax with the conditions in Indonesia.

The highest average values for questions related to the reporting obligations of being on time are linked with financial statements. The respondents agreed that the sanctions are important but respondents also stated that sanctions for violations of the tax are still quite loose (see Figure 5).

Performance

Performance in this research is the employee's performance as measured based on the performance-related tax on employee perceptions of their performance in carrying out the duties and functions. There are 8 questions that elaborate on the performance of tax officials in terms of the ability of collecting tax revenue target, recognizing the potential

Table 3
Results of Reliability Test

Variables	Composite Reliability	Cronbach's Alpha	Cut off	Conclusion
Organizational Commitment	0.809484	0.809620	0.7	reliable
Organizational Culture	0.877371	0.840346	0.7	reliable
Tax Reform	0.894508	0.868951	0.7	reliable
understanding of Taxation ethics	0.889748	0.849314	0.7	reliable
Taxation performance	0.828888	0.734802	0.7	reliable

Source: Primary processed data.

Table 4
Value of R Square

Variables	R Square
Performance	0.408061
Ethics	0.672436

Source: Primary processed data.

tax, collect SPT, reducing tax arrears analysis SPT, serving taxpayers, and resolving complaints.

The highest score was for the ability of taxpayers facing tax officials, especially the ability to resolve complaints. The lowest value perceived for their individual capabilities includes the ability to perform analysis of SPT taxpayers. Thus, it can be interpreted that the overall performance is good enough and as it is felt especially when it comes to service to the taxpayers. The tax officials are already making maximum efforts to solve the complaint of the taxpayer but the technical ability of individuals is deemed to be lower mainly to analyze the SPT (see Figure 6).

Validity and Reliability Test

The evaluation of the construct with the model of reflection was done in two ways, convergent validity and reliability composite. Here are the details of the test results.

1) Convergent validity (validity of the items)

Round 1 that is the convergent validity or item validity which is intended to test the validity of each item on the question of latent variables. Convergent validity was evaluated through outer loading value for the reflective model of decision-making in which the outer loading values is greater than 0.5.

The test in this round 1 show that there is still a question in the items whose value is below 0.5 (invalid) so that the question in the items should be removed. Convergent validity in round 2 shows the outer loading value of each item that is greater than 0.5, so that all items can be concluded as valid question (see Table 2).

2) Composite reliability (reliability of the construct)

After the convergent validity test or the validity of

the items test, the next was the test of reliability of the constructs (Composite reliability). This evaluation of the construct was done by looking at the Composite reliability or the value of Cronbach-alpha to the decision-making criteria and the values of composite reliability or Cronbach value of 0.7 alpha testing results that are as presented in Table 3.

The value of composite reliability and Cronbach-Alpha for each variable is more than 0.7 so it can be concluded that all of the variables used in this study are reliable.

Hypothesis Testing

To determine the effect of exogenous variables on endogenous variables is done by looking at the value of R^2 . It can be seen in Table 4.

The value can be interpreted that the understanding of the taxation ethics is affected by organizational commitment, organizational culture, and tax reform amounting to 0.672436, or 67.24%. Tax performance has R^2 of 0.408061 (40.8%), which means that tax performance is affected by organizational commitment, organizational culture, tax reform, the interaction of the organization's commitment and understanding of ethical interaction of taxation and tax reform and understanding of tax ethics is 40.8%.

Path Coefficients

Table of path coefficients is used to see the significant effect between the constructs by looking at the value of the parameter coefficients and significant values of t -statistics (see Table 5). The Hypothesis testing showed that the overall result was not significant because it did not meet the limit of the cut off.

Table 5
Value of the Path Coefficient

Effects	Original Sample (R)	Sample Mean (M)	T Statistics (Q/STERR)
culture → performance	0.946761	0.710189	1.378055
culture → ethics	0.678121	0.671567	5.134462
culture * ethics → performance	-0.938009	-0.563196	0.681254
commitment → performance	-0.148635	-0.193293	0.157639
commitment → ethics	-0.240789	-0.208844	2.195904
commitment * ethics → performance	0.246325	0.383347	0.170009
ethics → performance	-1.026743	-0.626639	1.337463
reform → performance	-1.054281	-0.440145	1.094679
reform → ethics	0.573776	0.365861	2.711787
reform * ethics → performance	2.379938	1.292007	1.355204

Source: Primary processed data.

Discussion

Hypothesis 1, which states that organizational commitment directly affects understanding of taxation ethics of the tax officials, was proved. Organizational commitment is considered an important factor that affects the performance (Meyer and Allen 1991). Organizational commitment of the respondents of tax officials in this study was proved consistent with the research on the same respondents of the tax officials by Arwani and Hanifah (2010a), also proving that organizational commitment affects understanding of taxation ethics.

The findings above are consistent with previous studies (Yousaf 2000) showing the effect of organizational commitment towards the organization ethics. The same research in employee taxation also proves the high commitment has a sensitivity to increase the measured ethics of intention by the increase of whistle blowing (Sofia et al. 2013). The descriptions of the variables corroborate these findings. Organizational commitment of the respondents is considered having significant effect. DGT (Directorate General of Taxes) managed to build commitment through various programs of empowering the employees and ICV (Internal Corporate Value). The strong commitment was shown to increase ethical awareness of the responsibilities and duties as tax officials to comply with their obligations and restrictions. All these are set out in the code of conduct for the tax officials.

Hypothesis 2 which states the organization's culture contributes directly to the understanding of taxation ethics of the tax officials was also proved. This study proves that there was a direct effect of organizational culture towards the understanding of the ethics of taxation. This can explain the description of the variables that corroborate these findings. Organizational culture and values can be instilled such as integrity, professionalism, synergy,

service, and excellence.

During the period of tax reform, the DGT planned a program to build a healthy culture. DGP cultural reform program began in 2002, the program with the SMART (project for Indonesia tax administration reform). Internalization of the values of the finance ministry was routinely performed on integrity values, professionalism, synergy, servicing, and perfection. This job was done continuously through various activities in-house training as well as to internalize it through banner installed in office.

The efforts above were successful in embedding the values that want to be invested, so that tax officials always remembered and applied them in their daily work life. Strong organizational culture increasingly made the tax officials ware of respecting the ethical values related to taxation. This research is in line with research by Prasitrodinjo (2007), which examined the organizational culture in Central Java Tax Office. His findings showed that there was a positive and significant effect between the variables of corporate organization, organizational culture on employee satisfaction and performance of employees of the Directorate General of Taxation. Therefore, through the efforts of organizational change, organizational culture conducive accordance with the changes being made, it is expected that the directorate of taxation can increase the performance of employees so as to make better performance.

Hypothesis 3 which states that the tax reform contributes directly to the understanding of taxation ethics of tax officials which was also proved. This study proves that a successful tax reform can contribute directly to the understanding of taxation ethics. Abhimanyu (2004) stated there are two significant leap in the tax reform, that the tax reform will not succeed without good morals and ethics. In

addition to SMART program, launched by the Directorate General of Taxes in 2002, they have implemented a reform program of the ethics, integrity, and moral of the tax officials.

Moral and ethical reforms carried out by requiring the tax officials properly can perform their religious duties and therefore increase their religious activities, while the employee integrity reforms were carried out by the internal consolidation (Poernomo 2005). DGT implement ethics reform to create a code of conduct that must be known and applied by all employees of the tax. The regulation of finance minister No. 1 / PM.3 / 2007 about codes of conduct among others prohibit 1) the tax official abuse of office and authority, 2) accepting gifts of any kind, either directly or indirectly, 3) abusing tax information data, 4) perform improperly conduct contrary to the norms of decency (Yuliansyah and Ludigdo 2007).

Hypothesis 4 stating that the understanding of taxation ethics can moderate organizational commitment, organizational culture, the tax reform on the performance of tax officials, in which it was not proved. Thus, it is in contrast to the previous studies. It must be due to the premises that behaving ethically or unethically is not determined by individual morality but is determined by situational factors (Ascarpan Rafinda 2015). Situations that tax reform is indicated by a failure (Bewazier 2011). The changes are expected to have problems in the reform process. Modernization of bureaucratic obstacles caused by the inadequate number of employees, resistance to mutation, and overlapping of work (Hadini 2012).

The constraint of the reform also occurs at the level of leadership. They were considered not to understand their lowers. The performance appraisal system was not going well. There were many employees who could occupy certain positions but considered not to have relevant competency. (Fredaly 2010). Tax reforms in terms of remuneration did not effectively change the employees mental in the Directorate General of Taxation (Pujutana 2011).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the discussion, it can be concluded as follows. The respondents who were the tax officials in East Java feel that there has been a change in the office where there they worked. Tax reform was also carried out continuously by the Directorate General of Taxation to improve organizational commitment, organizational culture and tax re-

forms in which all these have a direct contribution to the understanding of taxation ethics for the tax officials.

The fourth hypothesis was not proved, that the understanding of taxation ethics was not either proved, so it has no any moderating role in the relationship between organizational commitment, organizational culture and reform of taxation on the performance of tax officials. The resistance from some possible managerial level is considered one of the factors that can explain why this hypothesis was not proved. The mutation and the rotation of the employees were considered less fair and this was also the cause of dissatisfaction and eventually affected the taxation ethics being unable to become the moderating variable.

The limitation can be the fact that it might be generalized in East Java area. Besides that, in East Java, we have about 38 regencies while in this study there were only 5 cities. Therefore, it might be generalized for these 5 cities but may not represent the whole region of East Java.

The implication is that, if the tax officials want to improve the understanding of taxation ethics, there must be a tax reform and therefore, a change in the organization is required. This can be done also by improving organizational commitment, organizational culture. But, it does not mean that it is moderated by taxation ethics.

For further research, the researchers can use more regions; it can be in the same province of East Java but with different cities or add more cities. By doing so, the generalization can be much wider for the conclusion.

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